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of business enterprise
from an historical point of view

The Society collects business manuscripts, books, and reports, distributes publications, and otherwise promotes research; the Harvard Graduate School of Business Administration furnishes space and also assistance from the members of its faculty and staff. The Harvard Business School Associates receive all the publications of the Society.

BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, INC.

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A New Approach to Local Business History

A few miles from my home, there nestles in the friendly atmosphere of the Green Mountains of Vermont a hamlet of fifty people, known as South Reading: just a sleepy little neighborhood now, but formerly a thriving, active community. Here were located a map-printing shop, several sawmills, a grist mill, a woolen mill, a chair factory, a smithery, and a tannery.

In this hamlet were born three Robinson boys, who later on became nationally known: Stillman, founder of mechanical engineering in American colleges, noted inventor of optical devices, designer of Lick Observatory; Albert, a pioneer in the engineering world, who has built more miles of railroad than any other one man, general manager of the Santa Fe Railroad, and later president of the Mexican Central; and Wallace, president of the Boston Chamber of Commerce, philanthropist, and one of the founders of the United Shoe Machinery Company.

From nearby Perkinsville came Dr. Ernest Hopkins, until recently president of Dartmouth College. From Plymouth came a farmer boy to become the thirtieth President of the United States.

These three small villages, within a few miles of my home, are typical of hundreds of similar small places in the eastern United States, which have sent out their sons to become leaders in the nation.

It is my premise in this paper that there can be no thorough study of a successful career, either in business or in a profession, that does not carry back to the founder of the enterprise, to ascertain his home surroundings, his training in home, school, and church; to investigate all events in his life which moulded his character and which enabled him to become outstanding in his field.

Back of every successful enterprise, whether small or large, is one person who has had the perseverance, judgment, and knowledge to carry his undertaking past the manifold pitfalls, which

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EDITOR'S NOTE.—This paper was read at a session devoted to local history at the annual meeting of the American Historical Association in New York, December, 1946.

result in failure to many of those starting out on a business career.

To understand any single kind of business, then, we must go back to the grass roots of the founder. To generalize about any one *line* of business, such as oil, cotton, wool, coal, or railroads, many individual groups must be carried back to the beginnings. We credit the careful historians with wide knowledge, intellectual capacity, and independent honesty, but through the past decade their broad, general statements based on too few facts have swayed public opinion against business, be it large or small.

As an illustration of this point, I recall a national convention of a large Protestant denomination held several years ago, which had under consideration the report of the social service committee. In this document was a paragraph condemning business, with the concluding sentence reading, "It is impossible for a man under present-day conditions to run a business and be a Christian." The many business laymen present, including myself, were astonished at such a rash statement, and promptly protested. We finally passed an amendment, which substituted for the word "impossible" the word "difficult," thus bringing the report from the realms of biased thinking to a statement more in line with facts.

I believe occurrences of this kind — and they are all too many — add to the reasons which keep business executives from opening their private records to researchers who wish to see them.

Some progress is being made toward better understanding between these two groups, as indicated in the bulletins of the Business Historical Society in Boston, but still greater coöperation is necessary if we are to have truly authentic business histories.

While the large business corporations are better known and many have been studied historically by more or less competent writers, local or small business firms (from one to five hundred employees) have rarely been recognized by the historian, and yet they are the lifeblood of the nation. As Professor Ralph M. Hower states, "We have very little knowledge of the part played by that small business man (called petty capitalist by Professor Gras) who manages to scrape together a little capital and tries to succeed with some enterprise so as to make a profit. . . . As a class he has probably contributed more to modern history than any other single group. We shall never really understand economic history until we know more about him."

As president of the Vermont Historical Society, I was fully

aware of our long-standing policy of publishing books on Vermont subject matters or institutions which were worth-while, and also of printing short articles in our magazine, *The Proceedings.* We have coöperated with some towns in editing their histories, but have never paid much attention to local business history in spite of valuable source material in our Society library.

We have recently worked out a plan, which we believe can be of great value in this field: the Society is willing to sponsor such histories, provided that the manuscripts meet our exacting standards and the cost is borne by the people or town concerned. If manuscripts of literary and historic merit dealing with early Vermont business are presented without funds available for printing, we shall provide editorial assistance and are willing to print these either in book form or as articles in our bulletin, as far as our funds allow.

We consider this a sound way to interest more people in history, as well as to add to our source materials. This is something new, I believe, in historical society procedure and calls for explanation as to how it came about.

Three years ago, I noted that the seventy-fifth anniversary of my firm was approaching and the directors of my company voted to mark the event with an historical book under my direction. The same year — 1944 — was the one hundredth birth year of the founder (long since deceased) and the one hundred and forty-fifth year since the first merino sheep was imported from Spain — an event leading to Vermont's becoming the greatest sheep-raising State in the Union from 1835 to 1845.

As an owner of the business, I wanted a human, interesting, readable account of our seventy-five years of woolen manufacturing; as an amateur historian, I wanted an accurate history but, in addition, a study of the social and economic background, not only of the business itself, but of the community and State in which it was located.

A competent writer was secured, Miss Janet Mabie of New York City; the company files were opened to her, with nothing held back, and many old-time residents were interviewed. I personally spent much time with her going over company records and my own personal files, which cover much public life in the State. After a year of research and writing, the manuscript was completed. The finished product is neither a "cheap popularizer," to quote Dr. Larson, nor a dry thesis, but a re-creation of the times in which the enterprise was born, together with the story

of why it was born and why it continues to grow.

The book starts with the introduction of Spanish sheep into Vermont, describing the change which that brought into the lives of the pioneer settlers of the State — a fascinating study in itself. It continues with the migration of the Gay family from Connecicut to Vermont, tells of the early trials and struggles of getting established, and presents native folklore which would have been lost but for this account. The story follows the growth of the business through the years, tells of its contact with the public, explains its labor relations, and ends with a bit of theory on the Vermont way of life.

The chapter on labor relations was a difficult problem, because the mills are C. I. O. Union shops and every worker was to receive a copy of the book. Wishing to be accurate and fair in approaching this subject, we asked the Union organizer to write an account of Union relations in our company from his point of view, to be given direct to our author. We agreed to do the same, and then the author was to take from each account what she considered usable and factual to make up the labor-management story. This was done and the finished labor chapter with no changes was read to the Local Union membership by the organizer, unanimously approved by the Union, and printed. Needless to say, what could have been a serious blunder in labor relations through ignoring the part the employees have had in building up the business, or in stupid handling of the material, was turned into a distinct gain in labor-management morale.

When the manuscript was ready for printing, it was sent to the director of the Vermont Historical Society for factual correction, and, while in the Society library, it was read by the Publication Committee. They pronounced it good Vermont history and requested that it be published with the imprint of the Society. Although I felt honored that our book (the first to receive such recognition) should be handled in this way, I agreed with a definite feeling of embarrassment because of my dual connection.

The printed book, *Neither Wealth Nor Poverty,* is attractively designed, illustrated with original drawings, and printed on excellent paper.

We have received hundreds of commendatory letters from people in all walks of life, from a few of which I should like to quote:

From the president of a large insurance company: "It is as interesting as any novel. . . . it would be very appropriate for other

industrial organizations to follow your example and record the story of their growth and the men connected with them while the material is still available."

Elbert K. Fretwell, Chief Boy Scout Executive: "It is as invigorating as the clean wind that blows between the Vermont hills. . . . It is so true to the dream that many of us, most of us, I hope, hold for America."

Dr. Stanley Pargellis, director of the Newberry Library, Chicago: "I wish more companies would put their records at the disposal of trained historians and congratulate you upon your foresight in so doing."

Edward Porter Alexander, historian at Colonial Williamsburg: "You have done a real service to the industrial history of Vermont. . . . It was a smart idea for the Society to sponsor it."

New England Council: "It should be in every library, especially in our schools and colleges."

A college history professor: "One of the best examples of local history I have ever seen; it might well serve as a model for any similar endeavor by anybody anywhere."

As far as I know, to have an historical society sponsor such a business history is something new in America. Historically, this book has depicted in a fascinating way Vermont life of three-quarters of a century ago, by using many local stories which show the character of the people and how they met difficulties which seemed overwhelming. To business people it is a typical example of honest American progress. I believe that this sort of coöperation can be valuable in preserving the records of the past, but even more so in guiding the opinion of the future, both of which are within the scope of the historical society and progressive business firms.

In my capacity as president of the Vermont Historical Society and as treasurer of a growing business, I have had considerable opportunity to see the strong and weak points inherent in each. I have come to the conclusion that each lacked something that the other had, and that both could benefit from an exchange of ideas.

The conception of too many of the American public is that an historical society is a collection of elderly people living in the past, dreaming about a dry and musty world which has no relation to present-day problems; and that business, while a necessary part of the production front, is a shady institution which thrives on secrecy, with no sense of obligation to the public which makes its profits possible.

Such generalization is unfair to both institutions, but there are exceptions enough to make the characterization seem plausible.

American historians are trained in research and deliberation. Bringing to light new facts, uncovering hidden truths, and ascertaining trends are goals in themselves for the historian. Not so with the business man, who lives in a hectic world of competition. He must ever produce goods cheaper, faster, and better or he loses his place in the market. He must think in terms of costs and sales prices to arrive at profits. He must give unselfish service to the customer and to the public if he is to survive.

The historian brings to light the rise and fall of past human endeavor with the social, political, and economic background of these events; he knows that "history repeats itself." Could not this knowledge be helpful to the business man in his present-day problems? Could not the energy and keen planning of the business man be of assistance to the historian?

With these thoughts in mind, I suggested to the New England Council — a coöperative organization which represents the business interests of the New England States — that a meeting of the historical society leaders of the region be called to exchange ideas. Such a meeting was held in the Council rooms in Boston recently, with all but one State represented.

"Local Business History" was the theme of the meeting. After agreement upon its importance, there was a lively discussion as to how such books can be compiled and published. All felt that the State society should publish independently histories of those businesses which were important in the State, such as lumber in Maine, marble in Vermont, and so on, but that lack of funds would make this difficult. Suggestions were made as to fellowships to be granted for specific business histories, and it was stated that the societies and universities could encourage the use of topics for theses for advanced degrees from this field.

The group voted to form an organization to coöperate with the New England Council in furthering the writing and publication of local business history, the membership to consist of the presidents and directors of the various State societies, with meetings to be held from time to time.

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This paper aims to emphasize the importance of the early background of the founder of any business, the study of which will give a true picture of those elements which allowed the enterprise to succeed in the battle for the survival of the fittest. It stresses the importance of the local business firm in American

life, in that to write the history of small business is to write the history of our nation; and notes that sweeping, general statements on private enterprise without a thorough knowledge of many small firms are inaccurate and unfair to all.

I have drawn attention to the procedure of the Vermont Historical Society in encouraging local business history, with an illustration of just how this has worked out in a specific book with which I have been intimately connected. This policy carefully carried out, unorthodox as it may appear, can be of great service to the writing and publication of good business history books.

And, going a step further, the historical societies of New England are coöperating with the leading business association in that region in an effort to effect a better understanding between historians and business, to the end that the American public may obtain accurate information on which to base judgment of our national history and business life.

The statement of this new approach to local business history will, I believe, make sense to the business man; I hope it is not too radical to gain support among historians. In any case, it is a sincere presentation of an important problem, and if it creates further thought by all concerned, I shall feel that the initial flight of a woolen manufacturer into the sacred realm of the historian has been worth-while.

Leon S. Gay,
Cavendish, Vermont.

Three Early Railroad Equipment Contracts

The use of highly specialized techniques for financing equipment on railroads in the United States became common soon after the Civil War. Comparatively little is known, however, of their origins and early evolution. Much of the published information on early railroad equipment financing is concerned with federal, State, and municipal government aids to the new railroads. Because public financing was a matter of public record, that story has been preserved in considerable detail. Unfortunately this has not been the case with private financing. The lack of specific data in this field has obscured important historical precedents for the equipment trust and conditional sale agreements, which were to become so important in the later decades of the 19th century. It is particularly interesting, therefore, to examine some original and hitherto unpublished manuscript material which presents examples of railroad equipment financing as early as 1838.

This manuscript material was made available to the writer for use in connection with a history of the Saco-Lowell Shops, now being prepared at the Harvard Graduate School of Business Administration. It consists of directors' records and a magnificent collection of correspondence of the Proprietors of the Locks and Canals Company, in Lowell, Massachusetts; this collection dates from 1792.[1]

A word of explanation is required to establish the relation of this historic water power company to early railroad equipment building in America. The Locks and Canals Company was established initially by Newburyport interests to build and exploit a canal around Pawtucket Falls in the Merrimack River. In 1821 the company became a part of the scheme of Boston merchants and cotton manufacturers to create a new cotton manufacturing center on the Merrimack, at the place which was soon to be called Lowell. By 1826 a machine shop had been built and the Locks and Canals Company fairly started on a new phase of its career,

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[1] Made available to the School through the kindness of Mr. L. D. Waldron, Treasurer, and Mr. Arthur T. Safford, Chief Engineer, of the Locks and Canals Company.

supplying cotton machinery as well as water power for the rapidly expanding local development.

Behind this expansion the figure of Patrick Tracy Jackson, leading cotton mill manager and ex-merchant, loomed large. It was his vision, energy, and extraordinary managerial skill which resulted in the opening of the Boston and Lowell Rail Road, in 1835. In the same year the Locks and Canals Company turned out its first locomotives. This, too, was essentially a Jackson promotion. The apparent objectives were to build locomotives for the Boston & Lowell; to enter early and profit largely from the beginnings of railroad construction in New England; and to take up the slack in machine shop operations occasioned by periodic cessation of the demands for cotton machinery. By 1838, of the domestic locomotive manufacturers,[2] the Locks and Canals Company, with 32 locomotives in operation in the country, trailed only Matthias W. Baldwin, of Philadelphia (with 78 engines), and William Norris, also of Philadelphia (with 34 engines).

These were early events in the history of steam railroads. The Locks and Canals Company built their first locomotive only six years after the first locomotive had turned wheels on an American railroad. Public amazement and skepticism were only beginning to turn to enthusiastic acceptance and promotion. Locomotive shops were being planned and other textile machine shops were contemplating the new product with a speculative eye. Railroad promotions were entered into with energy in the decade of the 1830's. There was a promising market here for the small number of machinists who could build locomotives. By 1838 the Locks and Canals Company had sold or was selling to at least 15 different railroad customers in six different States.[3]

For the railroads the decade was as difficult as it was hopeful. Road building costs inevitably exceeded estimates (Boston & Lowell Rail Road construction cost was estimated at $450,000; it actually amounted to $1,800,000).[4] Equipment was expensive — the Locks and Canals Company charged $7,000 for a locomotive and tender — and costly to maintain in operating condition.

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[2] *"Letter from the Secretary of the Treasury in Relation to Steam Engines"* reported in the *Railway & Locomotive Historical Society Bulletin*, no. 6 (1923), pp. 22-33.

[3] *Directors' Records*, Locks and Canals Company. Unless otherwise indicated, all material in this article is taken from the directors' records and correspondence of the Locks and Canals Company, Lowell, Massachusetts.

[4] Charles Cowley, *History of Lowell* (Boston, 1868), p. 77.

To the burden of heavy first cost, slow construction, large maintenance expense, and small initial operating revenues were added that of specie shortage and then the acute panic of 1837. Surviving roads led a precarious existence in 1838 and 1839, and their fate often depended upon legislative assistance. For the manufacturer those conditions created unfamiliar necessities, and made imperative the adoption of contractual safeguards. It was in this precarious decade that the financing of railroad equipment began to assume its specialized nature and distinctive form.

In 1837 the Locks and Canals Company built four locomotives for the Baltimore & Susquehanna Rail Road. The panic of this year embarrassed both the Locks and Canals Company and the railroad, the latter being caught in the midst of founding efforts when the only hope for survival lay, not in curtailment of equipment purchase, but in further expansion. The Locks and Canals Company was in an awkward, though by no means desperate, position. The Pensacola Rail Road, an earlier Locks and Canals Company customer, defaulted on its notes to the extent of $10,383, and the Baltimore & Susquehanna account stood at $14,846, with little prospect of settlement in either case. It is not surprising that this unpleasant experience with the "southern" railroads in the panic year brought about a decision on the part of the Locks and Canals Company directors to withdraw from the locomotive market entirely. Unsuccessful attempts were made to collect outstanding railroad accounts, but the company was only one of many creditors. The Pensacola note appears eventually to have been charged off to bad debts, but negotiations with the Baltimore & Susquehanna continued. Reviving hopes and prospects in 1838 led the Locks and Canals Company to begin to manufacture locomotives again. At this point a difficult policy decision had to be made with respect to the Baltimore & Susquehanna debt. Should the Locks and Canals Company refuse future orders and press for collection of the old account? To do so might be to jeopardize the future of the road, which apparently could neither pay off old debts nor operate profitably without incurring new ones. To do so might precipitate a new crisis in the affairs of the road — a crisis in which the Locks and Canals Company's creditor position would not be strong, and in which the prospects of collecting any substantial part of the debt owed would be doubtful. The alternative was to gamble on the road, and to put "good money after bad."

It was the latter counsel which prevailed, and the boldness

displayed hints strongly of P. T. Jackson's great faith in the future of American railroads. Early in 1839, negotiations were commenced between the companies for a quantity of new equipment. (Probably for four new locomotives.) It becomes clear that at this point the Locks and Canals Company adopted special policies to meet this specialized type of business. After the panic of 1837, locomotive marketing was treated as a thing apart, and came to bear slight resemblance to methods employed in marketing the company's regular line of textile machinery. The 1837 lesson was costly, but its value outweighed the cost.[5]

The new Baltimore & Susquehanna contract provided strong security for the Locks and Canals Company. It is worth noting that many of the features of the agreement were suggested and urged not by the Locks and Canals Company, but by Charles Howard, president of the Road. By February, 1839, the Railroad had given notes to the Locks and Canals Company covering the cost of new equipment. Howard then made the request that ". . . in addition to the notes, this Company would also prefer that the Engines should remain the property of the vendors until the payment of the notes, so as to give you the additional specific lien upon the property itself, besides the obligation of the company."

Howard appears to have been a man of great personal integrity who enjoyed the complete confidence of the Boston capitalists. In spite of his official connection and obvious interest in the Railroad he was appointed by Jackson to act as the agent of the Locks and Canals Company in the pending negotiations. Howard went on to suggest that each locomotive shipped to Baltimore be accompanied by the following certificate:

> The locomotive and tender which we have shipped to Baltimore per the Capt'n ———————— will on its landing be taken possession of by you [Howard] as our agent to hold the title transfer until the Baltimore and Susquehanna Rail Road Company shall have paid us for it.

The retention of title until final settlement was a new technique to the Locks and Canals Company, and certainly did not arise

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[5] It should be noted that the specialized techniques outlined in the following paragraphs arose out of special weaknesses of particular railroad customers, and were not universally applied to all customers. Both before and after 1837, business with the stronger roads (mainly in New England) was conducted on a "cash and carry" basis.

from any precedent in the textile machine business. It is significant that this mechanism was suggested by persons outside the Jackson financial circle. It would be of considerable interest to know whether such a procedure had become customary in railroad financing at that time.

The Locks and Canals Company agreement with the Baltimore & Susquehanna Rail Road was soon strengthened by another new (new to the Locks and Canals Company, that is) safeguard. On August 28, 1839, Howard wrote Jackson:

> Since my last visit to you of the 20th I am enabled, by the passage of an ordinance of our Mayor and City Council for the relief of this Company to offer to you, that if our notes for the engines falling due next month can be renewed for 6 months, I will transfer to you as collateral security therefor stock of the City of Baltimore irredeemable until after the year 1890, bearing an interest of 6 per cent payable quarterly. . . .

Subsequent letters from Howard to Jackson reveal how the agreements worked in practice. On October 2, 1839, the account between the companies stood at $26,000, and on that date Howard delivered to Jackson $26,000 of the 6 per cent Baltimore stock. On October 19, 1839, owing to the unexpected failure of a railroad debtor, one of the Baltimore & Susquehanna notes for $6,500 was defaulted. The note was protested, but the crisis was short-lived. Two days later the Road paid the note. With the payment Howard, as agent of the Locks and Canals Company, by agreement turned over one locomotive to (presumably) himself as president of the Road. In 1840 the major part of the account was finally liquidated by the sale of the Baltimore 6 per cent stock held by the Locks and Canals Company as collateral security.

This initial experiment in new methods of railroad equipment financing led to further contracts of a similar nature, and to further refinements in the technique of insuring the Locks and Canals Company against loss in its relations with tenuous railroad enterprises.

In March, 1842, the Philadelphia & Reading Rail Road placed a large order with the Locks and Canals Company. Under the terms of this contract the Locks and Canals Company was to furnish the running gear for 600 coal cars at a total price of $120,000. The Philadelphia & Reading Rail Road was to furnish bodies and frames, and was to assemble the cars. Twelve months' credit was extended by the Locks and Canals Company.

This contract was an important one to the Locks and Canals

Company. It came at a time when the machine shop and foundry had few orders on hand. Both the textile machine business and the manufacture of locomotive engines had been so slack that in the fall of 1841 P. T. Jackson expressed a desire to dispose of the machine shop entirely. Only his doubts that the company could do so "to advantage" prevented this step from being taken. The Philadelphia & Reading contract promised to keep the shop busy until another cotton mill could be promoted in Lowell. By September of 1842, 450 of the car assemblies had been shipped, at a paper profit of approximately $35,000. To ensure that the paper profit would be a real one to the Locks and Canals Company the following conditions had been set up in the contract:

(1) The car assemblies, as finished and ready for use ". . . shall be assigned transferred set over and delivered unto John A. Brown and William F. Emlen [president of the Philadelphia & Reading Rail Road], of the City of Philadelphia, . . . in trust to secure the party of the second part [the Locks and Canals Company]." Should the Railroad fail to meet its obligations the trustees were to take over the cars and dispose of them at public sale for the benefit of the Locks and Canals Company.

(2) The Philadelphia & Reading Rail Road should deposit its bonds to the amount of $240,000 with the Trustees as collateral security. Should the Railroad fail to meet its obligations, the bonds were to be liquidated by the Trustees for the benefit of the Locks and Canals Company.

(3) The Railroad agreed to ". . . reserve out of the toll or freight of each and every ton of coal transported in said cars . . . the sum of twenty-two and a half cents and to apply and pay the same to the said party of the second part [Locks and Canals Company] toward payment of the said sum of $120,000 when and so often as the said sum so reserved shall amount to the sum of $2,500."

A comparison of this contract with the earlier Baltimore & Susquehanna contract reveals a growing mastery of financial technique, and a surprisingly modern concept of the specialized requirements of the business. Of particular interest is the evolution of terminology involved. Charles Howard was "agent" of the Locks and Canals Company in the earlier transaction. The term was a natural one to employ at the time; it was directly traceable to marketing techniques of the mercantile capitalists of an earlier day, and then used to designate the commission middlemen in the transfer of textile machinery in southern markets.

Between 1839 and 1842 the persons performing the middleman function in the transfer of railroad equipment began to be referred to as "trustees." It would be of some interest, though beyond the scope of this article, to trace the origins and earlier uses of this latter designation.

In October, 1842, a second contract was made with the Philadelphia & Reading Rail Road, and this contract evidences a demand for even greater collateral security. This demand probably arose out of a depressed state of trade in the "southern" markets, and out of the condition of the railroads in particular, which Howard described as "generally prostrate . . . due to their exertions in completing their undertakings."

The October contract was for 450 coal cars and 12 locomotives, to be completed by the following summer. The price of this equipment was $219,250, and a 24 months' credit was extended. The following property was named as security, all of which was placed in trust for the benefit of the Locks and Canals Company:

(1) All machinery or equipment ordered from the Locks and Canals Company under this contract	$219,250
(2) 600 coal cars furnished under previous contract	159,600
(3) 15 locomotives, 12 passenger cars, 177 freight cars, 110 coal cars at a total valuation of	200,000
(4) Bonds of the Philadelphia & Reading Rail Road secured by mortgage on road between Reading and Pottsville	200,000

As the collateral security requirements were strengthened, so too was a far from subtle change made in the trusteeship. In March of 1843 the number of trustees was enlarged to three, two of whom were Jackson associates. Thus effective control of the trust passed from the railroad to the manufacturer.

In these Locks and Canals contracts lies valuable evidence that those devices which became standard contractual practice in post-Civil War railroad financing were conceived and executed in some detail in the first decade of American railroad history. The Locks and Canals Company by 1842 had failed to put to use only one major technique from among those which later became important. Still to be developed was the practice of shifting to the investing public, by means of equipment trust paper, the financial burden of the transfer period — that often lengthy interval between completion of manufacture and final settlement by the customer.

The value of these contracts does not lie in the fact that they

are "early;" nor can the antiquarian halo of being "first" be awarded them. Certainly, the adoption of strong mortgage security (either railroad, State, or municipal bonds) was not new in 1839, and it would be surprising indeed if these contracts were unprecedented in exhibiting such additional features as lien on income, retention of equipment title, use of a transfer middleman, and employment of the term "trustee" to designate such middleman. The chief historical significance of these documents lies in the fact that in the terms of these three contracts, alone, enlightening evolutionary tendencies can be observed. Moreover, while we cannot with certainty carry the evolution back to undisputed beginnings, we can interpret these practices of the Locks and Canals Company in the light of what later happened, and by so doing perhaps add to our understanding of these same techniques in their mature form.

George S. Gibb,
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Predecessors of the Commercial Drummer in the Old South

The commercial drummer seems to have occupied an important place in English trade for some time before his services were widely employed in this country. An article in Hunt's *Merchants' Magazine* in 1839 called attention to this situation and suggested that American business men were missing a real opportunity in not adopting similar methods. English drummers who called on the country trade had already acquired the stock characteristics that Americans only at a later date recognized as belonging to the occupation — the sample case as a badge of identification, together with a thorough grasp of the latest scandal for the entertainment of customers.[1]

The American market suffered severely from limited means of communication and transportation, and this rather than adherence to traditional patterns of salesmanship accounted for the American tendency to fall behind English practices. The railroad and telegraph reached only a small part of the country before the

[1] A. L. Stimson, "Commercial Travellers," Hunt's *Merchants' Magazine*, vol. i (July, 1839), pp. 37-41.

A Guggenheim Fellowship and additional aid from the University of Missouri Research Council made possible the collection of the material for this article.

Civil War. Elsewhere storekeepers did well to bring in major supplies twice a year, and the annual turnover was in the same ratio. Brand names and general standardization of goods were lacking in large part. Storekeepers visited wholesale markets twice a year to select their merchandise because prevailing market conditions made it extremely difficult for drummers to give sufficiently exact information as to quality, appearance, and price of articles that often would not be delivered for another six months. Wholesalers did not hesitate to employ "drummers or borers" to meet stagecoaches and to display merchandise at leading hotels as a means of obtaining the attention of newly arrived country merchants,[2] but this of course constituted a much more limited usage of the drummer than in England.

Ante-bellum business records amply illustrate the difficulties involved in using traveling salesmen as well as the wealth of experimentation which took place. Although the drummer did not become an important business figure until the post-Civil War period, the preceding half-century was important in his development for the historical precedents which it established. Peddlers of course thrived because of the very limitations that checked drummers, but they perhaps provided some experience on which to build.[3] Representatives sent out directly by eastern wholesalers for various purposes constituted still more of an influence, partially because they were more directly in the line of historical antecedents and also because of the varied functions with which they experimented.

Some wholesalers sent representatives on southern tours to examine the financial standing of country and interior storekeepers who wished to obtain credit. Peter Mallett, for instance, made a tour of North Carolina in 1846 and again in 1849, largely to acquire such information for the New York commission house of Krider & Mallett to which he belonged.[4] Credit reports thus secured probably surpassed information obtainable from the existing credit rating agencies, which did not get under way until the 1840's and were still in a highly experimental state, or from lawyers and merchants who provided letters of introduction for

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[2] J. B. Jones (pen name, Luke Shortfield), *The Western Merchant* (Philadelphia, 1849), p. 168. See also "Loss and Gain of Drumming for Trade," Hunt's *Merchants' Magazine*, vol. xxxii (Mar., 1855), pp. 389-390.

[3] The peddlier has been discussed by the writer in BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, vol. xix, no. 2 (Apr., 1945), pp. 35-59.

[4] Credit Rating Book of North Carolina Firms for trips made in 1846 and

southern storekeepers. Unfortunately, the use of personal representatives to obtain such information also constituted the most expensive system, and the practice was greatly limited for that reason.

Costs could be reduced by having a representative perform a number of services while on a trip and some employers evidently adopted this expedient. Good-will tours by new members of an eastern firm were not unusual, and these served the additional purpose of giving a fresh appraisal of the credit standing of the customers visited. Samuel Duffy probably had this in mind when he called on John W. Ellis, a lawyer of Salisbury, North Carolina, in 1847 with a letter of introduction from a mutual friend. The latter recommended Duffy as a fine young man, a Democrat, and a recent addition to the house of Mr. Underhill in New York City. The ostensible purpose of his trip was to extend his acquaintance with business men, and Ellis was requested to help him in his purpose.[5]

Representatives were sent out in still greater numbers for the primary purpose of collecting wholesale bills, although they undoubtedly were expected to obtain a variety of information as well. A few wholesale houses seem to have sent representatives on collecting tours as a routine procedure without waiting to see whether bills would be paid at maturity. For instance, a Winnsville, Virginia, storekeeper in 1834 was notified of the approaching visit of a collector for a Richmond firm, although the account was not in default.[6] Still more common was the use of representatives to try to effect settlements of overdue accounts without legal action. John F. Ashurst of the eastern firm of the same name called at William Shute's Montgomery, Alabama, store in 1835 to ask payment for a note. Shute had thought the note was in a bank and had already arranged to settle it there.[7] Delinquency in this case was simply a misunderstanding; the storekeeper was both solvent and a good customer. Ashurst's visit and inquiry about the note aroused no hostility, whereas the use of a collecting attorney might have created ill will.

The panic of 1837 and the resulting depression witnessed a great increase in the use of traveling representatives to settle accounts. Collecting attorneys like Charles Crommelin of Mont-

1849, and letter of Jan. 13, 1850; Peter Mallett Papers, 1849-88 (Southern Historical Collection, University of North Carolina).

[5] Letter of June 10, 1847, John W. Ellis Papers, 1842-61 (Southern Historical Collection, University of North Carolina).

[6] Letter of May 23, 1834, John and Philip J. Winn Collection, 1780-1892

gomery were swamped with appeals to institute legal action against defaulting storekeepers, and also to help personal representatives of the wholesale houses in their endeavors to reach settlements with local business men.[8] The thoroughness with which such representatives canvassed the country made eastern agents a common sight on southern streets in the late 1830's and early 1840's. The travels of Isaac Boyd of the house of Boyd, Heard & Bryan of New York City typify the efforts of wholesalers to prevent southern mercantile accounts from throwing them into bankruptcy. This firm had opened in 1836 and had to close in 1839 because of defaults on wholesale bills by its customers, but not until Boyd had made every effort to collect all obligations. Boyd left on his first trip in the autumn of 1837 and remained on the road during most of the winter. He wrote to his partners from Tennessee in May of 1838 and complained because they had not accompanied him to assist with the numerous accounts in Alabama, Kentucky, and Tennessee. While Boyd was chasing storekeepers in Louisiana in an endeavor to collect accounts, an eastern creditor of his firm sent the necessary papers covering an obligation of some $9,000 to New Orleans and asked for his arrest. He managed to dodge the officers until he reached Natchez, but he was caught there and compelled to return to New Orleans. In some manner he effected his release and returned to New York City in July, 1838, with $40,000 which he had collected during his long trip.

In the fall he started on a second tour. Early in 1839 he was in New Orleans, preparing to start on a 700-mile horseback ride through "wild cutthroat" country to attempt the collection of a large account from the Fort Gibson store. In the middle of March he wrote his partners a letter on board the steamboat *George Washington* on the Mississippi River, explaining that he had been through the interior of Arkansas, Tennessee, and Mississippi, and was now on his way to Mobile to start through Tennessee and Mississippi again. He still had to visit Missouri, Illinois, Ohio, Indiana, Alabama, and Kentucky, and it would be June before he could return to New York City. In April he wrote again from Bolivar, Tennessee, where he was "constantly on the go running about after scoundrels that we were so foolish

(Duke University Library).

[7] Letter of Apr. 4, 1835, Letter Book, 1834-37, of William M. Shute (Alabama Department of Archives and History).

[8] Letters of Oct. 22, Nov. 14, and Dec. 2, 1839, and Apr. 21, 1841, Crommelin Papers (Alabama Department of Archives and History).

as to trust." His work was consuming more time than he had anticipated since many of the debtors had gone to Mississippi and Alabama, and some had cleared out for Texas. Within a few minutes he would take the stage for Holly Springs, Mississippi, to see a debtor there. His collections were so meager in spite of all his efforts that the firm could not do otherwise than close out on his return to New York City in the fall.[9]

Since many of these trips for the purposes of credit rating, the building of good will, and the collecting of accounts were made by partners in wholesale firms, they provided a basis for estimating the difficulties to be surmounted and the chances for success of commercial drummers in existing markets. Still more closely related to this problem was the experience gained by representatives who represented a half-way stage between outright peddling and the modern commercial drummer. Hildeburn & Woolworth, Philadelphia jewelers, for example, kept two salesmen traveling in Virginia, North and South Carolina, Maryland, and Georgia from 1815 to 1818. They carried a supply of jewelry for direct sale to retailers, took orders for the firm and collected accounts. Hildeburn himself sometimes went on the road with as much as $15,000 worth of jewelry.[10] John H. Woodgate of New York City employed a somewhat similar procedure with other merchandise on a trip through North Carolina in 1847. He carried a supply of pistols with him, selling some of these to storekeepers and leaving others for disposal on commission, and also accepted orders for brandy on future delivery.[11] Market difficulties in these cases were partially offset by carrying the merchandise directly to storekeepers for examination and immediate sale.

Such an arrangement was possible in connection with goods that brought a very high price in proportion to weight and which could therefore withstand the prevailing high costs of transportation. Attempts at a still closer approach to the pattern followed by post-Civil War drummers seem to have been less successful, the surviving records of those efforts clearly revealing the difficulties which had to be overcome. In 1834, for example, Wil-

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[9] A series of letters from 1836 through 1839 cover the history of this wholesale house, the Bryan Papers, 1704-1929 (Southern Historical Collection, University of North Carolina).

[10] A series of letters cover this aspect of the firm's operation, in the Hildeburn & Woolworth Letter Book, 1815-18 (Historical Society of Pennsylvania).

[11] Letters, Sept. through Nov., 1847, John W. Ellis Papers, 1842-61.

liam Shute of Montgomery sent an order to Edward Kellogg and Company of New York City, with the comment that their representative, Mr. Nefren, had requested him to do so. For several dry-goods items Shute listed definite prices, indicating thereby that the representative had given him a catalog or at least a price list of the New York house. In 1835 a representative of the New York hardware firm of Kissam & Company visited Shute's store. The latter mailed an order shortly after this visit, commenting that the representative had reported that the New York firm had a very fine stock of guns and had left a memorandum from which to place an order. Shute ordered a shipment of large padlocks, to cost between eight and nine dollars, and a supply of guns, for which he obviously knew approximate costs.[12]

Shute's letterbook shows clearly that it was not uncommon for eastern representatives to visit Montgomery to solicit business as early as the 1830's, that more came to collect accounts and to check on the standing of individual merchants, and that representatives were not common enough to be of any great help to storekeepers who wished to order by mail and therefore wanted the latest possible information concerning eastern stocks and prices. As Shute's order to Kissam & Company indicated, representatives could be of some help in figuring prices, but even if they were present when an order was made out they could do little more than indicate approximate ranges in price and stock.

This situation continued to prevail for a period of years. H. B. Eilers of North Carolina was visited by a representative of Wilson & Hopkins of Baltimore in 1846, who went no further than to explain the general policies of his employers and to request an order for groceries. A month later Eilers obliged with a request for a shipment of coffee, but he had no specific information as to the price.[13] Slow communication and transportation thus continued to hamper the development of a program in which commercial drummers could display samples of merchandise for future delivery at a stated price without jeopardy to either wholesaler or retailer.

Southern country storekeepers and newspaper editors seem to have welcomed the visits of eastern commercial representatives.

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[12] Letters, Dec. 1, 1834, and Jan. 16, 1836, Letterbook, 1834-37, of William M. Shute.

[13] Letter of April 9, 1846, H. B. Eilers' Letter Book, 1846-50 (Southern Historical Collection, University of North Carolina).

One North Carolina editor in 1853 suggested that the Baltimore business community would increase its share of southern trade if representatives of real business capacity were employed. There was no advantage in sending out young fellows who merely walked around the streets puffing on cigars and who limited their work to passing out cards with a request to call on their employers, said the editor, nor was it sufficient to engage a representative simply because he lived in the South. Representatives with real business ability would be invited into the homes of storekeepers to explain the advantages which their firms could offer.[14]

The wisdom of choosing experienced men was demonstrated in a story which appeared in another southern newspaper in 1857. "Bill Martin" had been engaged by a dry-goods drummer from New York City in 1840 to drive him around on a visit to Benton County, Alabama. They stopped in the course of their trip to obtain a drink at a roadside farm where the owner had set fire to an old pine stump near the front door of his house. At the moment, the fire was burning in the tap root, some two feet below the ground, and smoke was pouring from the hole. The drummer was astounded at the sight and asked for an explanation. "Well," said Bill, "the farmers burn out wells in this country instead of digging them. The soil is made of inflammable salt, and all that is necessary is to dig a hole one foot deep and four feet square at the top, wet the soil around the sides, and set the depression on fire. The soil will continue to burn until water is reached, and the fire will bake the sides of the well as it progresses downward." [15]

Serious opposition to some northern commercial representatives did develop before the Civil War. The Montgomery newspaper in 1850 carried an account of a recent visit from the representative of Chittenden & Bliss, New York wholesalers. This firm, said the editor, was listed in the New York "Day Book" as holding abolitionist views and being instrumental in the creation of a paper, the *Independent,* to support that movement. Montgomery storekeepers had told the representative that his employers could not hope to share in southern trade and had advised him

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[14] "Plain Talk to Merchants," article from *Cotton Plant* in Salisbury, North Carolina, *Carolina Watchman,* Apr. 14, 1853.

[15] Story from Potter's *Spirit of the Times* in Huntsville, Alabama, *Southern Advocate,* Mar. 5, 1857. The source of the story indicates a northern origin.

to leave town.[16]

To the extent that commercial drummers were successful they constituted a serious threat to southern wholesale firms. Eastern merchandise was tremendously popular in the South, but, because of the expense involved in traveling to and from the eastern cities, the smaller storekeepers had not been able to purchase it directly. Drummers would have modified this problem greatly, and consequently southern wholesalers used the growing ill will between the North and South in the 1850's as a talking point for curbing traveling representatives of eastern firms. Georgia passed a law in 1859 which created new regulations governing merchandise sold by sample or otherwise by itinerant drummers. A license costing $100 had to be obtained for each county visited and an additional tax of one per cent was to be collected on all goods actually sold.[17]

The discussion in the Louisiana legislature in 1860 over the passage of a similar statute found the legislative representative of a New Orleans commercial house leading the debate. He argued that if the State would not protect its own merchants, the latter should close their houses and take orders to be filled in the North. In spite of his suggestion that traveling representatives brought abolitionist sentiments to the Negro and gave northern firms an advantage in southern trade, opposition to his program developed from representatives of rural areas. Some of these apparently wanted to exempt all plantation supplies from any commercial restrictions.[18] Political hostility toward the North obviously had failed to unite the State to the point where all were willing to sacrifice the economic advantages to be gained from northern trade. The advent of the commercial drummer as a routine agent in southern life was thus delayed far more by the limitations of the market in which he operated than by any political animosity. Eastern wholesalers did experiment with various types of traveling representatives in the ante-bellum period, and, when market conditions permitted an expansion in this field after the Civil War, ample precedents existed on which to build.

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[16] *Alabama Journal*, Dec. 21, 1850.

[17] Act of December 15, 1859, *Acts of the General Assembly of Georgia for 1859*.

[18] The debate was reported in the *New Orleans Daily Crescent*, Mar. 5, 1860.